

Message Text

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42

ACTION AF-06

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 IO-10

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00

NSC-05 OMB-01 PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 FRB-03 PA-01 PRS-01 /131 W

----- 026778

R 051521Z MAY 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9128

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

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E.O.: 11652: N/A

TAGS: ENRG, EFIN, NI

SUBJ: OIL REVENUE TREND JEOPARDIZES NIGERIAN DEVELOPMENT PLAN

REF: LAGOS 03594

1. NIGERIAN CRUDE OIL PRODUCTION FELL IN APRIL FOR SIXTH MONTH
IN A ROW TO APPROXIMATELY 1.5 MILLION BARRELS PER DAY VS. MID-1974
AVERAGE OF ABOUT 2.3 MILLION. FURTHER DECREASE IN APRIL LED BY
SHELL-BP WHOSE CURRENT PRODUCTION, ACCORDING TO A SHELL-BP ENGINEER,
IS BETWEEN 800,000 AND 900,000 B/D VS. 1 MILLION IN MARCH AND 1.4

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MILLION AT 1974 PEAK (SEE LAGOS 03833).

2. MAJOR DECLINE IN CRUDE OIL EXPORTS AND MINOR REDUCTION OF GOVERNMENT TAKE PER BARREL (PRESENT AVERAGE IS ABOUT FOUR PERCENT LESS THAN OCTOBER 1974 PEAK) HAS LED TO CONSIDERABLE DROP IN TIL REVENUE. EMBASSY ESTIMATES THAT EXPORTS IN THE LAST THREE MONTHS (FEBRUARY-MARCH-APRIL) EARNED FMG ONLY \$1.5 BILLION (\$6.0 BILLION ANNUAL RATE) VS. \$8.1 BILLION IN THE PRECEDING TWELVE MONTHS.

3. SINCE OIL PAYMENTS LAG EXPORTS BY ABOUT TWO MONTHS, THE \$8.1 BILLION APPROXIMATES TOTAL OIL REVENUE DURING NIGERIAN FISCAL YEAR 1974-75, AND THE \$1.5 BILLION APPROXIMATES OIL REVENUE WHICH THE FMG WILL RECEIVE DURING FIRST QUARTER (APRIL-MAY-JUNE) OF FY 1975-76, THE FIRST YEAR OF THE 1975-80 DEVELOPMENT PLAN. THIS FIGURE SHOWS HOW FAR NIGERIAN OIL REVENUES ARE BEGINNING TO FALL SHORT OF PLAN TARGETS. (PLAN TARGET FOR FY 1975-76 IS \$9.9 BILLION I.E. AN AVERAGE OF \$2.5 BILLION PER QUARTER.)

4. SHORT FALL HAS NO SHORT-RUN CONSEQUENCES BECAUSE REVENUE STILL FAR IN EXCESS OF CURRENT EXPENDITURES, BUT IT ALREADY JEOPARDIZES THE ACHIEVEMENT OF THE PLAN'S REVENUE AND FOREIGN EXCHANGE PROJECTIONS. IF OIL EXPORTS AND PRICES CONTINUE AT PRESENT LEVELS FOR NEXT NINE MONTHS AND IF FMG AND STATE GOVERNMENTS INCREASE THEIR PENDING TO PLANNED LEVELS (TWO MAJOR UNCERTAINTIES), NIGERIAL WILL HAVE LITTLE OR NO SURPLUS IN THIS FISCAL YEAR. PLAN COUNTS ON LARGE ACCUMULATIONS IN FY 1974-75 AND EARLY PLAN YEARS WHICH WOULD PERMIT EXPENDITURES TO OVERTAKE REVENUE BY 1980 AND (PRESUMABLY) EVEN TO FINANCE DEFICIT IN EARLY 1980'S.

5. SINCE OIL PRODUCTION DECLINES HAVE AS YET RECEIVED MINIMAL PUBLICITY IN NIGERIA, ONLY HANDFUL OF OFFICIALS IS AWARE THAT THE PLAN'S INITIAL REVENUE TARGETS ARE NOT BEING MET, AND THEY DO NOT APPEAR TO BE WORRYING ABOUT THE SITUATION.

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